



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor
David T. Terry
Director
675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818
801-538-5100
801-355-0922 (Fax)
<http://www.trustlands.com>

American Gilsonite Company
Bonanza Minesite
HC 73 Box 28
Vernal, Utah 84078

July 14, 2000



Attn: Neldon Knuz, Mine supt.
Re: Acceptance of Reclamation Bond, and Final Approval To Commence Mine Development
Gilsonite Lease ML 851, DOGM File M/047/010

Dear Mr. Knuz:

On July 12, 2000 the Director of the School and Institutional Trust Lands Administration ("Trust Lands Administration") approved acceptance of Certificate of Deposit, No. _____ issued by Wells Fargo Bank, in the Amount of \$5,000.00, as surety for reclamation of disturbed lands and other lease obligations under Gilsonite Lease ML 851. With the Directors approval American Gilsonite has satisfied the Trust Lands Administration's requirements to commence with the proposed mine development as originally submitted under cover letter dated January 10, 2000.

The initial development of the mine sit will consist of drilling a 200 foot vertical shaft to access the Gilsonite vein. At the mine shaft site a hoist, head frame, transformer, compressor, fans, ore bin and other facilities will be put in place to facilitate removal and transportation of Gilsonite. The proposed area of disturbance created by putting in place the mine support facilities around the central mine shaft is expected to be 200 feet by 200 feet or .92 acres. Two (2) escape ways will be constructed approximately 500 to 600 feet distance from the main mine shaft, along the trend of the vein on either side of the main mine shaft. Each escape way will disturb an area of approximately 180 feet by 50 feet (18,000 square feet) adding .41 acres of mine related surface disturbance. Adjacent to the main mine facilities a sediment pond, approximately 50 feet by 100 feet, will be constructed disturbing approximately .11 acres. The total surface disturbance expected from the proposed mine plan will be approximately 1.44 acres. Access to the main mine site will be via existing roads which may have to be graded. Altering the course or width of the existing roads will be considered new surface disturbance and such disturbances will be included as additional surface disturbances to the proposed mine plan.

The archaeological survey of the proposed mine site (Project U-99-IQ-0401) identified no significant historical properties and the project has been given clearance to commence by the archaeological staff of the Trust Lands Administration. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical, or paleontological remains be encountered during your operations you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

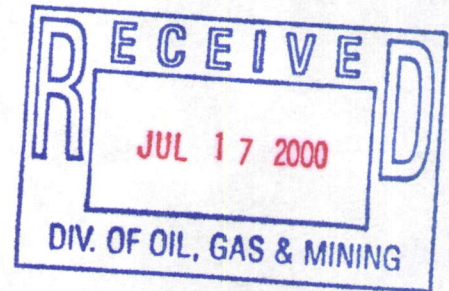
675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818
801-538-5100
801-355-0922 (Fax)
<http://www.trustlands.com>

Michael O. Leavitt
Governor

David T. Terry
Director

American Gilsonite Company
Bonanza Minesite
HC 73 Box 28
Vernal, Utah 84078

July 14, 2000



Attn: Neldon Knuz, Mine supt.

Re: Acceptance of Reclamation Bond, and Final Approval To Commence Mine Development
Gilsonite Lease ML 851, DOGM File M/047/010

Dear Mr. Knuz:

On July 12, 2000 the Director of the School and Institutional Trust Lands Administration ("Trust Lands Administration") approved acceptance of Certificate of Deposit, No. _____ issued by Wells Fargo Bank, in the Amount of \$5,000.00, as surety for reclamation of disturbed lands and other lease obligations under Gilsonite Lease ML 851. With the Directors approval American Gilsonite has satisfied the Trust Lands Administration's requirements to commence with the proposed mine development as originally submitted under cover letter dated January 10, 2000.

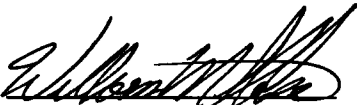
The initial development of the mine sit will consist of drilling a 200 foot vertical shaft to access the Gilsonite vein. At the mine shaft site a hoist, head frame, transformer, compressor, fans, ore bin and other facilities will be put in place to facilitate removal and transportation of Gilsonite. The proposed area of disturbance created by putting in place the mine support facilities around the central mine shaft is expected to be 200 feet by 200 feet or .92 acres. Two (2) escape ways will be constructed approximately 500 to 600 feet distance from the main mine shaft, along the trend of the vein on either side of the main mine shaft. Each escape way will disturb an area of approximately 180 feet by 50 feet (18,000 square feet) adding .41 acres of mine related surface disturbance. Adjacent to the main mine facilities a sediment pond, approximately 50 feet by 100 feet, will be constructed disturbing approximately .11 acres. The total surface disturbance expected from the proposed mine plan will be approximately 1.44 acres. Access to the main mine site will be via existing roads which may have to be graded. Altering the course or width of the existing roads will be considered new surface disturbance and such disturbances will be included as additional surface disturbances to the proposed mine plan.

The archaeological survey of the proposed mine site (Project U-99-IQ-0401) identified no significant historical properties and the project has been given clearance to commence by the archaeological staff of the Trust Lands Administration. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical, or paleontological remains be encountered during your operations you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.

As acknowledged in you notice approximately 100 feet of the Gilsonite vein you propose to mine lies within the SE $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 16 which is held under lease by Ziegler Chemical, Gilsonite lease ML 47535-OBA. The Trust Lands Administration's approval to commence with the proposed mine plan does not grant American Gilsonite Co. access to the surface or subsurface of any lands held under lease by third parties.

Upon completion of your mining operation all surface disturbances resulting from your operations on the leased lands will be fully reclaimed to the satisfaction of the Trust Lands Administration and in compliance with the State of Utah Mined Land Reclamation Act.

Sincerely,

A handwritten signature in black ink, appearing to read 'William M. Stokes', written over a horizontal line.

William M. Stokes
Minerals Resource Specialist

cc: Tony Gallegos, DOGM